

## CHAPTER XIII.

### THE BANK OF THE UNITED STATES.

Banks of Issue before the Adoption of the Constitution—Hamilton's Plan for the First Bank of the United States—The Struggle over a New Charter—The Second Bank of the United States : Its Early Errors and its Economic Services—The Bank Dragged into Politics by Jackson and Clay—Jackson's Triumph and the Removal of the Deposits—The Independent Treasury System,

THE pathway of American colonial history is thickly strewn with the failures of government paper money, which might have afforded an instructive lesson to the Continental Congress against its issues of Continental bills. Several cases are found also of issues on private banking credit, but they were not based on sound banking principles and do not shine greatly by comparison with the unrestrained issues resting on the fiat of the State. The "Massachusetts Bank," established in Massachusetts in 1740, did not pretend to do better than issue notes redeemable in goods, but they stood for a time so much higher than the Massachusetts bills that, in spite of the hostility of Governor Belcher, merchants specially advertised goods to be sold for "Manufactory bills." \* In Connecticut in 1733 the New London Society for Trade and Commerce circulated notes which were current until prohibited by the authorities, and in New Hampshire a company of "private gentlemen" attempted to meet the demand for a circulating medium by an issue of bills. Most of these schemes, including that of the specie bank, formed to counteract the

<sup>1</sup> Weeden, 487.